
MICROECONOMIC FOUNDATIONS FOR BUSINESS STUDIES

Period: a.y. 2021/22 – I sem.

Class times: Monday-
Thursday: 08:45-12:00

Instructor:

Prof. Claudio Panico
Dept. of Mgmt. & Tech. - Room 4-E1-07
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Course description

This course introduces the fundamental tools of microeconomics for studying strategic interaction and the provision of the incentives. The course is largely based on lectures, and it is ideally divided into three parts. The first part introduces cooperative and non-cooperative games and bargaining theory. The second part uses the lens of transaction costs economics and incomplete contracts to analyze asset ownership in (repeated) collaborations. The third part addresses the limitations of information asymmetries from a complete contracts perspective.

The second major goal of this course is to expose doctoral students to conceptual and formal models at the intersection of strategy, applied economics, and organizational economics. Models are presented in detail with an emphasis on understanding the economic intuition.

The course focuses on *interfirm* and *intrafirm* transactions, rather than on firms' market behavior, and follows modern strategy frameworks that emphasize the tension between value creation and value capture. Other classical areas of research having to do with competition, firms' market behavior, and the sources of competitive advantage will be covered in other PhD courses.

This course also provides the basic tools needed for the course *Strategic Interactions and Firm Behavior - 40430*, taught by Prof. Fosfuri.

Course Material

The content of the (online) sessions and the slides are the only required material for the exam. There is also a list of suggested readings that are meant to provide a range of perspectives and a flavor of the research in different areas in strategy and in economics. The slides and the readings will be made available on Blackboard.

Tentative list of topics

Part I

- Introduction to non-cooperative games: simultaneous, sequential, and repeated games.
- Introduction to bargaining theory: the strategic and the axiomatic approach.
- Introduction to cooperative games and bifform games.

Part II

- Transacting in a world of incomplete contracts: TCE vs PRE.
- Asset ownership, control, and the bargaining landscape.
- Co-opetititon and cooperation in strategic alliances.

Part III

Introduction to the theory of incentives.

Contracting under hidden action.

Contracting under hidden information.

Assessment Methods.

Effective class participation includes attendance to the (online) sessions and making an active and constructive contribution to the discussion, asking questions, making constructive comments, and having a positive attitude toward learning. As we go through the course, students might also be required to participate to (online) team assignments with the objective of applying the models developed in class to specific economic situations.

Students will be evaluated as follows:

Class participation:	20 points
(Online) assignments:	30 points
Final written exam:	50 points

Faculty Bio.

Claudio received his PhD in Economics from Toulouse School of Economics and is interested in the theory of incentives, organizational economics, industrial organization, platforms, and strategic human capital. His research has been published in the Strategic Management Journal, Organization Science, Research Policy, Industrial and Corporate Change, and other international journals. Claudio served on the Editorial Board and is currently an Associate Editor of the Strategic Management Journal. He also serves as a guest Associate Editor of Management Science.